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THE CHINESE IDEAS OF MONEY

By FUMIO HOZUMI

Man cannot live by bread alone. This biblical adage is true enough, but it is equally true that man cannot live without bread. In order to maintain his existence, man must consume material goods, and in order that material goods be consumed, they should be produced. Human existence becomes possible on the unified process of the production and consumption of material goods.

In the beginning man himself probably produced what he consumed himself. The following ancient Chinese poem may be taken as an evidence of this self-production for man :

At sunrise I begin my work,
At sunset I take my repose,
I dig a well to get my drink,
I plow my field to crop my rice.....
Why, then, should I e'er care
About the Imperial power?⁽¹⁾

Now, production is formed when labour is added to the work of nature. But nature produces differently in different lands, nor is labour the same for different men. Thus, mountains beget their crops and seas yield their blessings. Adam may be a good plowman just as Eve a good weaver. Human wants, however, are unlimited. "The more, the better". Thus, there arises the division of labour by which mutual cooperation and reciprocal supplementation among different individuals become possible. When this stage of production by means of division of labour is attained, men

1) The Ti Wang Shih Chi 帝王世紀, or The Records of Imperial Reign.

consume what they themselves did not produce and at the same time they may not consume what they have actually produced. In other words, what they consume may be produced by others entirely or in large portions, and what they produced may be offered to the consumption of others entirely or in their greater portions. This means that production and consumption are separated from each other and belong to different subjects. However, production is still for the sake of consumption and *vice versa*. Thus, the unification of production and consumption both belonging to two different subjects,—or the circulation of products from the hands of producers to those of consumers,—becomes indispensable.

How is this circulation possible? Distribution is obviously such a method. By distribution I mean a method of circulation which is carried out under direction of a so called unified will and according to pre-arranged plans, and thus under an artificial control. In other words, the unified will directs each individual to produce material goods required in necessary amounts to meet pre-determined consumption. Circulation is thus truly established and it seems to be most rational. But for this the existence of a unified will is "pre-requisite. In actuality, however, it is an "invisible hand" that revolves the wheel of evolution and not a unified will. When mankind discarded the shell of self-production and began to wear the cloth of production by division of labour, no unified will made its appearance. Where there is no unified will there cannot be distribution. How, then, is circulation possible? Because of the invisible hand. The invisible hand appeals to the self-interest of each individual and guides him to carry on exchange and thus circulation takes place. Thus, it is said:

"All day marketing takes place.....men after exchange return to their respective places quite satisfied"⁽²⁾
At first exchange consisted in barter. But barter had

2) The Book of I 易, Chi Tzu 繫辭.

its natural limitations. For the formation of barter it is necessary that the person who is offering to one some goods should at the same time want the goods another is offering. Thus, it is necessary that the wants of persons concerned should doubly correspond to each other. Therein lies a difficulty. In order to eliminate this difficulty, it becomes necessary that there should be a new process of first acquiring some material goods which is wanted by all and in consequence which is not rejected by any one, and of acquiring what one wants in exchange with that which one had already acquired. Thus, barter comes to consist of two processes. First, barter is made in order to acquire material goods having universally-wanted quality. Secondly, barter is made in order to acquire what one wants in exchange with the material goods having universally-wanted quality. Each of these two processes is nothing but barter. But when these two processes are combined, it will be seen that the material goods having universally-wanted quality plays the role of medium of exchange, and thus money comes into existence. Some may object to the idea that money is the medium of exchange. I am firmly convinced, however, that the essence of money consists in its being the medium of exchange and that there would be no money if there were no medium of exchange which is the sufficient ground for the formation of money. This is the fundamental nature of money. Measurement of value, reservation of value, and means of payment—all these are but the functions that come from the above essential nature of money, namely, the medium of exchange. There is not a small number of instances in Chinese classics showing the grasping of this truth. For instance, one may cite the following: Kuan-tze 管子 says:

“Gold and Tao-money 刀幣 are means of exchange for the people”.⁽³⁾

Ssu Ma-chien 司馬遷 says:

3) The Kuan-tze. 管子. Kuo Hsü 國蓄.

"Ways of exchange have been opened for farmers, artisans and trades-men, and money such as turtle carapace and shells, gold, knives and cloths have risen".⁽⁴⁾

Pan Ku 班固 says:

"Money is such as silk, gold, knives and turtle carapace which are used to divide goods and for exchange of goods".⁽⁵⁾

He further says:

"Money more precious than gold, sharper than knives, circulating more than spring, and gathering more than silks".⁽⁶⁾

He means to state that money is called by such names as gold, knives, spring, and silk because the functions of money are not less than those of these materials. Although this statement does not seem plausible,⁽⁷⁾ it at least proves the fact that great importance was attached to money as the means of exchange.

Later during the Tang 唐 Dynasty, Imperial rescripts frequently mentioned such as given below.

"The utility of money consists in the circulation of goods".⁽⁸⁾

"The essence of money is circulation".⁽⁹⁾

"The value of money lies in its circulation".⁽¹⁰⁾

As the above quotations indicate, the significance of money lies in its being a circulating goods. It was Conrad who likened money in society to blood in the human body. He said:

"It is an appropriate analogy to liken a bank to the heart of an animal. For the function of the heart

4) The Ping Chun Shu 平準書. of the Shih Chi 史記.

5) The Shih Huo Chi 食貨志 or The Records of Economics and Finance of the Chien Han Shu 前漢書 or the History of Former Han Dynasty.

6) *ibid.*

7) The Monetary Economy of the Chun Chiu Era by Dr. Sukema Ojima.

8) The Shih Huo Chi 食貨志 or the Records of Economics and Finance of the Chiu T'ang Shu 舊唐書 or the Old History of the Tang Dynasty.

9) *ibid.*

10) *ibid.*

is to send pure blood to all parts of the body in order to incite its activity and to absorb filthy blood and dissolve it. And the function of a bank strikingly resembles this."⁽¹¹⁾

Chin Hsüeh-yen 靳學顏 of the Ming 明 Dynasty said:

"The coin (money) is spring".⁽¹²⁾

He also said:

"This means the circulation of blood, that is, it is spring".⁽¹³⁾

There are various material goods such as cotton cloths, silk, corn, cattle, etc. which have the quality of being the objects of universal wants and which function as money. These material goods are entitled to be money or the media of exchange because they possess this quality of being the objects of universal wants. In the stage of their exchange with other material goods, barter only is made. In other words, they can be money because they possess also the quality of goods. That is, they possess both the nature of commodities and that of money. For this reason, scholars call them by the name of "commodity money". It can easily be seen from what has been already stated that there are various commodity moneys such as cattle, corn, silk, etc. Let us now take the horse, for an example as such. Suppose a horse is exchanged with salt. The person who received salt most probably will not consume it entirely, as its greatest portion will melt away before it is actually consumed. Now, salt may be exchanged with only one leg of a horse. The person who received one leg may use it as food, but the person by whom a horse with only three leg is left will not be able to use it because it has been crippled. To solve this difficulty, salt may be given in instalments in exchange with one horse, the person who offered a horse

11) Treatise on Banking by Dr. Kakujiro Yamazaki.

12) Chien Ku Lun 錢穀論 or Treatise on Cereal Money by Chin Hsüeh-yen. 靳學顏.

13) *ibid.*

receiving the desired amount of salt over a long period of time. Conversely, a horse may be given after the transfer of salt in a desired amount has been made to effect barter. Some scholars find the origin of "credit" in such a barter system. Whether this be so is problematical. But this much is certain that the material goods having the quality of being the objects of universal wants and possessing such a difficulty were eliminated by the law of natural selection, those suited for exchange surviving as the fittest and functioning as money. Now, it is a historical fact that metals and precious stones came to survive as money in all parts of the globe, as they were best qualified as money since they were free from the reduction of value due to division, easy to transport, possessed durability and otherwise were best suited for the media of exchange.

Now, the very fact that some goods possess qualifications of circulation materials tends to reduce the elements of such goods as commodities. And this time a change takes place in respect for money. For instance, Natsume Soseki says in his novel the "Winter Gale" through one of his characters, namely, Doya 道也:

"However wealthy one may be, one must raise hands to the doctor when one is betaken by illness. One cannot make pills out of gold coins.....Gold pills, if made, will not cure loose bowels."⁽¹⁴⁾

In China, Kuan-tze says:

"The succeeding rulers adopted precious stones as high money, gold as middle money and Tao and Pu as lower money. But one cannot get any warmth even if one grasps them; nor will they be of any use for hungry mouths."⁽¹⁵⁾

During the Former Han Dynasty, Ch'ao Ts'o 晁錯 similarly said:

"One cannot eat pearls and gold when hungry, nor

14) No Waki 野分 or The Wintry Gale by Natsume Soseki. 夏目漱石.

15) Same as footnote 3.

can one wear them when feeling cold.”⁽¹⁶⁾

Again the same Chinese statesman recognized the utility of money in the following words:

“Money being small and light, it is easy to store them. One can travel all over the country with them and will never be exposed to hunger or cold.”⁽¹⁷⁾

On the other hand, he admitted the defects of money in the following words:

“The convenience of money tends to make the people desert their masters, and go away from their native places, incite robbers and enable refugees to lighten their possessions.”⁽¹⁸⁾

He also recognized the superiority of such materials as the millet, rice, and silk as follows:

“Such materials as millet, rice, and silk are begotten in land, grown in time and gathered by power. They are not made in a day. Their weight is too heavy for the average and will not be utilized by the wicked. Without them even for one day, persons will face hunger and cold.”⁽¹⁹⁾

For this reason, he argued thus:

“Because of this reason, wise sovereigns revere farm products and hold in contempt gold and pearls.”⁽²⁰⁾

Liu Tao 劉陶 during the Later Han Dynasty said:

“The trouble of the time is not money but men’s hunger.”⁽²¹⁾

Again he urged:

“What is urgent is to provide daily food; what should be worried about is salt. The thickness and lightness of money is unimportant.”⁽²²⁾

He also argued as follows:

16) Same as footnote 5.

17) *ibid.*

18) *ibid.*

19) *ibid.*

20) *ibid.*

21) The Records of Economics and Finance in the Chin 晉 History.

22) *ibid.*

"Even if pebbles are turned into pure gold and rocks are turned into precious stones, if the farmers are exposed to thirst and hunger, then even the pure virtue of the ruler and the civilization of Tang 唐 and Yu 虞 would not be able to maintain peace within the realm."⁽²³⁾

Thus, during the reign of the Emperor Wen 文帝 of the Wei 魏 Dynasty, coins were abolished and the farmers held markets with corn and silk as the media of exchange.⁽²⁴⁾ But latter during the reign of the Emperor Ming 明帝, men had become very crafty and tried to gain exorbitant profits by wetting corn and making thin silk; even severe punishments failed to stop such misdeeds.⁽²⁵⁾ During the Chin 晉 Dynasty, Huan Hsüan 桓玄 attempted to abolish coins and use corn and silk as the media of exchange.⁽²⁶⁾ Much later, in the reign of Ming 明 Dynasty, Chin Hsuaoyen 靳學顏 said:

"You cannot wear silk because it is cold. Nor can you eat it. It is used only in the circulating of food and clothing."⁽²⁷⁾

Goods currencies or commodity money settled down to metals, in the end, and metallic currencies advanced to metal coins by way of the scale era. In the case of metal coins, their nature of goods is only possible when their shapes are deformed (excepting the poor taste of hanging gold coins on one's breast as medals.) Thus, the monetary nature of metal coins is possible at the negation of their nature as goods. It is natural that the idea of currencies as given above should get the upper hand. And the idea is right, indeed. However, this idea represents only one phase of the shield, in view of the evolution of currencies

23) The Records of Economics and Finance in the Chin 晉 History.

24) *ibid.*

25) *ibid.*

26) *ibid.*

27) Same as Footnote 12.

and when the nature of currencies is taken into consideration. There is the other phase which is more important. This may be likened to the person who complains of the brevity of his travel because he has taken a super-express. Let us see if there is in China some who take notice of the other phase of the shield—those who show gratitude for the speed of the super-express.

Kung Lin-chih 孔琳之 of Tungchin 東晉 explains the *raison d'être* of money as follows:

"Our wise rulers have made currencies of useless materials so as to circulate useful ones, thereby preventing deformation and eliminating the difficulty of transportation. Thus, coins came to replace turtle carapace and have not been abolished by the succeeding rulers."⁽²⁸⁾

As to what will be the result of abolishing coins, he replies as follows:

"Corn and silk will be used as treasures and will be used for food and clothing, respectively. If these are divided there would be much loss through perishing in the course of going through the hands of merchants. Thus, the result would be much more objectionable."⁽²⁹⁾

He thus points to the divisibility and portability of money. Jen Ch'eng Wang Ch'eng 任城王澄 of Wei 魏 says:

"Silk ought not to be divided into pieces. Corn is difficult of transportation. Coins, on the other hand, can be measured without a scale or weight and their usefulness to society is very great, indeed."⁽³⁰⁾

He thus also points to the divisibility and portability of coins as well as the easiness of recognition.

Chiu Chien 丘潛 of Ming 明 Dynasty says:

"Cotton cloth and silk will be destroyed if they are divided into small pieces. But if copper is made in coins, they may be given in greater amounts to goods

28) Same as footnote 21.

29) *ibid.*

30) Records of Economics and Finance in the Wei 魏 History.

in greater amounts, and *vice versa*."⁽³¹⁾

Thus, he points to the divisibility of coins but just before this statements, he says also:

"Gold and silver and the like will never be without waste of scrap if they are divided into very small portions."⁽³²⁾

He seems not to recognize the divisibility of gold and silver. But it is a matter of fact in economic history that there is no difference in the divisibility of gold and silver on one hand and that of copper on the other. On the contrary, it may be even said that it is gold and silver that enjoy a high degree of divisibility and that it is because of this that gold and silver came to monopolize the role of currencies. Why, is it then that Chiu Chien makes such a self-contradictory statement? In my opinion by gold and silver he means gold and silver bullion and by copper, he means copper coins. Thus, copper coins may be given in varying amounts according to the prices of goods purchased, but in the case of gold and silver bullions there will certainly be waste in the form of scrap as the consequence. In olden days in Japan, the repairing of the mats of money exchange stores and goldsmith was undertaken free of charge, because the gold and silver dust contained in the mats was enough to compensate for the work of repairing. Thus, there is some reason for Chiu Chien's argument. However, he makes the fallacy of taking copper in coins and gold and silver in bullion. But there is a reason for his so doing. It is probably because of the historical fact that, by the time copper coins had already made their entry into the money market, gold and silver were still used in bullion. But then Chiu Chien may be said to have been dazzled by phenomena-ism and failed to have an insight into the reality existing behind the bullion. At any rate, he regarded copper coins as an ideal form of currency and stressed on their superiority over silver which was extensively used at the time.

31) Ta Hsüeh Yen I Pu 大學衍義補.

32) *ibid.*

He thus shared the same idea with Chin Hsüeh-yen. But the idea of the superiority of copper to silver was much older, it going as far back as to the time of the Tang 唐 Dynasty. I wish to cite the following quotation by way of showing this idea during the Tang Dynasty:

"All mountains with silver deposits invariably also have copper mines. While copper can be used for making coins, silver has no utility for men. Their respective importance should be carefully considered. All silver mines situated in the north of Wuling 五嶺 should be closed up. As the silver miners will lose their means of living, they should be solicited to engage in the production of copper so that they may assist the coining of copper money."⁽³³⁾

We have already quoted Chin Hsian-yen of the Ming Dynasty who said that one cannot wear silk because it is cold, etc.⁽³⁴⁾ On the other hand, he says that "coins are power"⁽³⁵⁾ and "a great means of government"⁽³⁶⁾. In this respect, he appears to be of the same opinion with Chiu Chien. However, he further says:

"Copper coins, too, are used in the exchange of goods. Although they differ in quality from silver, they are used in circulation. This may be likened to the using haipa 海巴 instead of coins in Yunan 雲南. The three differ in nature but they all have the same utility."⁽³⁷⁾

He thus recognizes the fact that as money both silver and copper are the same. Ku Yen-wu 顧炎武 of the early Ching 清 Dynasty attached a greater value to silver than to copper because of its easiness in transportation. He also stated that "it can be more easily packed."⁽³⁸⁾ But one may say that in this respect paper money is more convenient than silver coins. But according to this scholar, paper money

33) The same as footnote 8.

34) Same as footnote 12.

35) *ibid.* 36) *ibid.* 37) *ibid.*

38) Jih Chih Lu 日知錄 by Ku Yen-wu. 顧炎武.

came into existence because of the fact that silver had not yet been made into money and he insists that as soon as silver money came into existence during the Ming Dynasty, paper money disappeared. He says:

"The paper money was promulgated because there had yet been no silver money and because of the inconvenience of the great weight of coins. But now silver money is extensively circulated all over the land. It can be more easily packed. Thus, paper money has now fallen into disuse."⁽³⁹⁾

Huang Tsung-i 黃宗義 of also the early Ching Dynasty shows a similar idea in the following words:

"If gold and silver coins are abolished, there will be much difficulty of transporting such money as corn and silk and iron coin. Packages of paper money will change in different localities.....and thus cannot but be used also in paying salaries as well as in trade."⁽⁴⁰⁾

Again the Records of Economics and Finance of the Chin 金 History says:

"Paper money such as Paochuan 寶券 and Tsungpao 通寶 have been issued in order to dispense with the labour of transportation and to save the expense of manufacture."⁽⁴¹⁾

Tai Chi 戴埴 says:

"Because of the difficulty of transporting coins in trade, it was thought as advantageous that paper money came into being to meet exchange."⁽⁴²⁾

Ma-Tuan-lin 馬端臨 says:

"A small amount of paper money can replace several chins 斤 of copper. The former is light to transport, one man can carry it in amount of tens of thousands of iron coins over a distant of one thousand miles within

39) *ibid.*

40) The Ming I Tai Fang Lu 明夷待訪錄, or the Writings expecting the Visit of Clever Ruler.

41) Records of Economics and Finance in the Chin 金 History.

42) Same as footnote 30.

a specified period of time."⁽⁴³⁾

At any rate, the Chinese idea of paper money regarded it only as a convertible note. Inconvertible notes were issued in China, it is true, but it was in order to cope with the financial distress of the government and was taken as to tend to break up the paper currency system. There are innumerable instances of this fact, but here I shall only cite the following words of Huang-Tsung-i:

"Paper money is inseparable from coins."⁽⁴⁴⁾

Once money makes its advent as the medium of exchange and is used generally, anything can be bought with it. This means that you can do anything with it. Then it is recognized that money is almighty. A fool with money will appear to be wise. The poor will seem to be dull. Even in Hades judgments will be swayed by power of money. Then, for some men money becomes their enemy. Money comes first, money comes second, money comes third..... Without money nothing can be done. You cannot even meet the morning sun without money. Even in olden times in Japan we had "Kin Gin Banno Gan" 金銀萬能丸⁽⁴⁵⁾ or "The gold and silver pills that can cure all diseases." In the work of Natsume Soseki, a character called Kukokushi 空谷子 says:

"Money is a demon."

(He drew a circle in the ash of a fire-box and said:)

"Suppose this is money. It will turn into anything. It will become clothes or food, or an electric car or a boarding house.....This circle will become either a good man or a bad man. And make them go to heaven or to hell. There is too much flexibility in it.....Even God will throw up His hands to man if he should have such an almighty money."⁽⁴⁶⁾

43) The Wen Hsien Tung Kào 文獻通考, or the Source Book.

44) Same as footnote 40.

45) Kin Gin Banno Gan or Kanemochi Chohoki 金持重寶記, by Sei Shi 性子.

46) Eijitsu Shohin 永日小品, by Natsume Soseki.

So, also, Shakespeare makes Timon of Athens say,
 "Thus much of this will make black white; foul, fair;
 Wrong, right; base, noble; old, young; coward, valiant.
 Ha, you gods! why this? what this, you gods? Why this.
 Will lug your priests and servants from your sides;
 Pluck stout men's pillows from below their heads:
 This yellow slave
 Will knit and break religions; bless th'accurst;
 Make the hoar leprosy adored; place thieves,
 And give them title, knee, and approbation.
 With senators on the bench: this is it.
 That makes the wappen'd widow wed again;
 She, whom the spital-house and ulcerous sores
 Would cast the gorge at, this embalms and spices
 To th' April day again."⁽⁴⁷⁾

And Cloten in the Cymbeline says as follows.

".....'Tis gold;
 Which buys admittance; oft it doth; yea, and makes
 Diana's rangers false themselves, yield up
 Their deer to the stand o'the stealer; and 'tis gold
 Which makes the true man kill'd, and saves the thief;
 Nay, sometimes hangs both thief and true man; what
 Can it not do and undo?....."⁽⁴⁸⁾

About two thousand years ago, there was in China during the Chin 晉 Dynasty a man called Lu Pao 魯褒. He was very much impressed by the reverence given to money by his contemporaries and under an assumed name wrote a book called Chien Shin Lun. 錢神論 or "The Almighty Money". He wrote something as follows:

"If a person should secure money, he will become powerful but if he should lose it he will become weak. With money he could fly without wings, run without feet, make the sour face to smile, compel the dumb to talk. Persons with much money sit in front and

47) Shakespeare, Timon of Athens, IV. iii. 28—41.

48) Shakespeare, Cymbeline, II. iii. 71—77.

those with little money sit behind.....Where there is money danger will become safe, death will revive. But where there is no money, the noble will become base, life will meet death. Thus, without money no law-suit will win. Without money no melancholia will be cured. Inimical feelings will not be done away without money. Kindly questions and mirthful utterances will not come without money."⁽⁴⁹⁾

When the devilish power of money is recognized by all and becomes the object of all human endeavours, it is only too natural that there will be various crimes connected with it. For instance, when corn and silk become money —

"Persons would wet corn in order to derive an exorbitant profit and would make thin silk for marketing."⁽⁵⁰⁾

This is also recognized by Kung Lin-tze 孔琳之. Some coins were counterfeited by means of paper and skin. From the early times, coins had holes in their centre and were held together by means of thread running through the holes. Thus, the Records of Economics and Finance of The Shih Chi says:

"Coins in the Capital are numbered by tens thousands and their thread has become decayed so that it is impossible to count them."⁽⁵¹⁾

During the Epoch of Division between North and South, a string of coins numbering, for example, 80 was once regarded as worth 100. This was called "short money" as against "long money" consisting of 100 coins. The practice became so universal that the government had to recognize in time the short money. This practice survived down to the modern times. But by far the most objectionable practices in connection with money were such acts as melting, counterfeiting, private coinage, etc. All of these acts were a direct

49) Lu Pao Chuan 魯褒傳 of the Chin 晉 History.

50) Same as footnote 25.

51) Same as footnote 4.

infringement of the right of coinage possessed by the government and was a wilful impediment to the securing of public revenue. At times, private coinage was regarded as lawful. For instance, in the fifth year of the Hsiaowen 孝文 era of Han Dynasty, the anti-private coinage act was revoked and people at large were allowed to undertake the coinage of money.⁽⁵²⁾ In South Sung, Chen Ching-chih 沈慶之 urged as follows:

"In my opinion the government should allow the people to make coins."⁽⁵³⁾

In the 22nd year of the Kaiyuan 開元 era, Chang-Chiu-ling 張九齡 advised the throne not to prohibit the private coinage of money.⁽⁵⁴⁾

Despite these opinions, the idea that coinage should be monopolized by the government as one of its rights grew stronger. Kuan-tze 管子 in the very early period said:

"The succeeding rulers protected property and regulated human affairs, and thereby maintained peace in the realm. This is called the scale. The scale does not allow things to be of the same amount. Thus, the sovereign has the sole right of giving or withholding this right. The sovereign has the right to enrich the people. The people revere him as the sun and moon and he is regarded as father or mother. All this is because he exercises this means which belongs solely to him as a prerogative."⁽⁵⁵⁾

Chia I 賈誼 of the former Han Dynasty was greatly apprehensive of the confusion that might be brought about in the realm by the existence of debased and counterfeited money and urged that private coinage should be suppressed.⁽⁵⁶⁾

Chia Shan 賈山 similarly said:

52) Same as footnote 5.

53) Yen Chun Chuan 顏竣傳 in the Sung Shu 宋書 or the History of the Sung or House of Liu 劉宋.

54) Same as footnote 8.

55) *ibid.*

56) Chia I Hsin Shu 賈誼新書.

"Money is an article that cannot be used. But it may be the means to become noble and rich, that is the so called handle of a sovereign to rule the people. If people are allowed to coin money freely, that handle will be both held in common by sovereign and people. That should not be so."⁽⁵⁷⁾

Lieu Chu 劉秩 of the Tang Dynasty quoted the above statement of Kuan-tze and condemned private coinage by giving more reasons.⁽⁵⁸⁾

Chiu Chien 丘潛 of the Ming Dynasty said:

"The right of coinage belongs only to the ruler and the people absolutely have no right. They have only to obey the ruler. If the right of coinage is abandoned by the sovereign, those wishing treasures and disliking toil and poverty will be attracted by it. This will be the source of not only robbery but also of civil disturbances."⁽⁵⁹⁾

As a result of the prevalence of privately coined money as well as debased and counterfeited money, prices of goods and services soared, the people were exposed to extreme poverty and even the throne faced a crisis. It was natural then that counter-measures were considered. This gave rise to various views on the part of experts. Some urged that in order to prevent private or counterfeit coinage, severe punishments should be inflicted upon violators of law⁽⁶⁰⁾; while others asserted that inspection of money should be made in the markets by means of scale of samples⁽⁶¹⁾, etc. But the most representative view held that the fundamental remedy lay in the fine and delicate coinage so that it would not pay for private or counterfeit coiners to imitate the method. The exponent of this idea is found in the person of Kung

57) Chia Shan Chuan 賈山傳 in the Former Han History.

58) Same as footnote 8.

59) Same as footnote 31.

60) Same as footnote 4.

61) Records of Economics and Finance of the Wei Shu 魏書, Chiu T'ang Shu 舊唐書, etc.

Kai 孔頴 of South Ch'i 南齊 whose following words may be considered as the cream of this view:

"The basic reason why private and counterfeit coinage continues in spite of severe laws is that too great thrift is exercised by the government in use of copper and artisanship for making copper coins."⁽⁶²⁾

It is hardly exaggerated to say that the above quotation is always used in connection with any discussion about the view under consideration. For instance, Chiu Chien of the Ming Dynasty referred to the quotation as representing an immutable law in coinage.⁽⁶³⁾

Needless to state that the phenomenon of counterfeiting is not limited to coins but can be seen in paper money also. Now, it is interesting to note that the above idea is also applied to paper money which is supposed to be divorced from the value of material used, thereby indicating how deep-rooted this conception is. The Records of Economics and Finance of the Sung Dynasty gives the following words of officials in 1176 A.D.:

"For the paper money of the preceeding two terms, the Chuan 川 paper was mostly used as the material. The materials used then were in fine state and strict attention was paid to the process of printing, so that those who tried to counterfeit them had a great difficulty to do so. After the expiration of the seventeenth term, the Tu 杜 paper as well as the Chuan paper came to be used. After the eighteenth terms, only the Tu paper was used. The last named paper may be made by anyone and the prices of goods and services has now been raised five times the former prices. Thus, counterfeiting which in the former periods was very difficult, in the new terms became comparatively easy..... I am of the opinion that, in printing paper money, material should be improved and the process should be refined

62) Liu Ch'üan Chuan 劉悅傳 in the History of South Ch'i.

63) Same as footnote 31.

so as to make counterfeiting impossible. This is the matter of primary importance. In dealing with violations, intense encouragement should be given to those in charge of law enforcement and the prevention of crimes should be made very rigorously so that men will be refrained from counterfeiting. All this, however, is the matter of secondary importance."⁽⁶⁴⁾

The essence of monetary ideas in China concerns itself with the value of money, or rather with the comparative importance between money and goods. For in the eyes of the average Chinese what is all the more important about money is not its essence but its phenomenalism. The monetary question in the world of phenomena for the Chinese consists almost solely in its relation with goods.

From the very beginning, the Chinese recognized that the value of money was in an inverse proportion with that of goods. Kuan-tze, for instance, frequently mentions that

"If money is dear, goods must be low; and if money is low, goods must be dear."⁽⁶⁵⁾

In the writing of Mo-tze, too, one will come across such a quotation as follows:

"If Tao (knife money) is light, prices must be dear. If Tao is dear, prices must be low."⁽⁶⁶⁾

Similar quotations are found innumerable in the Shi Huo Chih 食貨志 or the Records of Economics and Finance in the orthodox History of succeeding Dynasties especially in those chapters on money.

Now, it is to be observed that the rise in the value of money means the depreciation of the prices of goods and services and *vice versa*. It is easy to see that the recognition of this truth will lead one to find out the reason why monetary value depreciates or demands such a reason. The reason, according to Chinese conceptions, is due solely to the law of supply and demand. Thus, so far as money is concerned,

64) The Records of Economics and Finance in the Sung 宋 History.

65) The Kuan-tze 管子. Shan Chih Shu 山至數.

66) The Mo-tze 墨子. Ching Shuo 經說.

their idea is nothing but the so-called quantity theory of money. But this idea is traceable to as far back as the Former Chin 先秦 Periods and formed the centre of the Chinese monetary conceptions for upward of two thousands years. The Shih Chi 史記 or the Historical Record says:

"The larger the amount of money, the smaller its value."⁽⁶⁷⁾

Such quotations are as frequently found in the chapters on money in the Records of Economics and Finance as fish are found in water. Thus, I have no time to enumerate them here. However, the above quotations are seen from the side of the idea that the larger the amount of money, the smaller their value. I shall next cite the quotation of the idea that the smaller the amount of money, the larger its value. One Chang Lin 張林 in the Latter Han Dynasty is quoted as follows in the Records of Economics and Finance of the Chin 晉 History:

"Taxes should be paid in silk and the same should be used in the market places, and the use of coins should be prohibited. If this be done, the amount of coins in circulation will become smaller and the price of goods will become low."⁽⁶⁸⁾

True, their idea, although belonging to the quantity theory of money, is simple and cannot be compared with the modern theory which takes into consideration such factors as credit and the speed of circulation, etc. But this is only too natural in view of the differences in the development of monetary economy in China at that time and in modern countries.

But in China as also in other countries, both the rise and depreciation of money brought undesirable conditions. Let us see what ideas Chinese held regarding this matter. It is easy to see that since the Chinese believed in the quantity theory of money, they naturally upheld that the

67) Same as footnote 4.

68) Same as footnote 21.

amount of money should be increased when its value is high and the amount should be decreased when its value is low. The quotations above given also indicate such an idea. But let us see what concrete measures the Chinese proposed in this connection.

For convenience sake, the Chinese money may be classified into coins and paper money. Rise in monetary value appears in the case of coins. Although even in the case of coins, their value is liable to become low due to the flooding of counterfeited or debased coins. More generally, however, coins tended to rise in value, as far as copper as the material for copper coins was concerned, as its production was often limited or it might be used for various articles or exported to other countries, thereby giving rise to a shortage of its supply. Thus, such shortage was likened to bad crops and was known as "monetary famine". For instance, the Records of Economics and Finance in the Sung Dynasty gives the following quotation as the words of one Chang Fang-p'ing 張方平:

"These years, all, both public and private have suffered from the scarcity of money; goods failed to circulate and have threatened to deprave human sentiments. This is known as monetary famine."⁽⁶⁹⁾

Obviously, the easiest way to cope with the situation would be to increase the amount of money in circulation. Thus the idea of minting more coins would be asserted. The idea of permitting private coinage often came from such an idea.⁽⁷⁰⁾ But in order to mint more coins, more material would be needed. Thus, the question of increasing the production of copper material arose as a fundamental issue involved. Proposals for operating a greater number of copper mines were put forward.⁽⁷¹⁾ But if copper material so

69) Same as footnote 64.

70) The same opinion can be found also in The Records of Economics and Finance in the History of Tang and Chin 金.

71) The Records of Economics and Finance of the Chiu T'ang Shu 舊唐書, the Chin Shi 金史, etc.

produced should be used for purpose other than coinage, it would not be of any help. Thus, the prohibition of making copper wares was advanced.⁽⁷²⁾ It was further asserted that copper wares already made should be withdrawn to be made into copper coins.⁽⁷³⁾ Very naturally, the melting of copper coins for making copper wares would be looked upon as a criminal act.⁽⁷⁴⁾ Moreover, the exportation of copper and copper coins was prohibited.⁽⁷⁵⁾ The existence of *ta chien* 大錢 or big money and of *luan chien* 短錢 or short money may be explained from the same angle.⁽⁷⁶⁾ Thus, the cause for the use of iron coins, paper money and commodity money was also found therein.⁽⁷⁷⁾

On the other hand, much thrift both in quantity and value may be made in paper money because of the easiness of securing its material. Naturally, the government would turn to paper money and thereby would cause an inflation of deplorable nature.

It was said:

"The principal defect of paper money lies in its excessive amount."⁽⁷⁸⁾

The result being the downfall of its price which leads to the stopping of its circulation.

Various measures were considered in order to overcome this defect such as the following: enforce the circulation of paper money, other moneys such as coins were suppressed, taxes were paid in paper money, new paper money were issued.⁽⁷⁹⁾ But the only effective measure is to withdraw

72) The Records of Economics and Finance of the Chiu T'ang Shu, the Sung Shih, the Chin Shih, the Ming Shih, etc.

73) *ibid.*

74) The Records of Economics and Finance of the Chiu T'ang Shu, the Sung Shih, the Chin Shih, etc.

75) *ibid.*

76) *ibid.*

77) *ibid.*

78) Same as footnote 31.

79) The Records of Economics and Finance of the Sung Shih, the Chin Shih, the Ming Shih, etc.

paper money. One Han Hsiang 韓祥 of the Sung Dynasty said:

"The way to save paper money is to decrease its amount."⁽⁸⁰⁾

The orthodox way of withdrawing paper money is by conversion, but in order to assure conversion the *pen chien* 本錢 or the reserves would be necessary. Thus, the restriction of the amount of paper money by means of the *pen chien* should be observed. This idea we find in such a man as Shê Tze-ch'i 葉子奇 of the Ming Dynasty who stated that if paper money should be firmly established, it should be based on coins.⁽⁸¹⁾

It is clear, however, if such restriction is made, there would inevitably be disharmony between the amount of paper money in circulation and social conditions. In order to prevent such an inconvenience a system of finance which greatly resembles the mechanism such as are under the modern gold standard was put forth. In other words, coins or their substitutes were turned in in order to get paper money, while paper money was turned in in order to get coins or their substitutes, their exchange being smooth and free. Thus, in the Records of Economics and Finance of Yuan Shi 元史 to be found:

"In the beginning of the Chung Tung 中統 era, government chests were established in various parts of the land in order to exchange gold and silver for paper money, thereby creating the standard of paper currency. For one tael of the huayin 花銀 or a sort of silver turned into the chest, two kuan 貫 of the chih yuan 至元 paper money was given out, and for two kuan and five fen 分 of the chih yuan paper money turned in, one tael of the huayin was given out by the chest. Again, for one tael of the chihchin 赤金 or a sort of gold turned into the chest, twenty kuan of the chih yuan paper

80) Same as footnote 64.

81) The Ts'ao Mu Tze 草木子. by Shê Tze-ch'i 葉子奇.

money was given out, and for twenty kuan and five hundred fen of the chih yuan paper money paid into the chest, one tael of the chihchin was given out."⁽⁸²⁾

The object of the above system was to stabilize the value of paper money and thus to prevent depreciation of its value. The appreciation of this object does not amount to any denial of the fact that the Chinese system resembles the gold standard system. Nay, one may even assert that to prevent the violent depreciation of the value of paper money will result in corresponding the amount of its circulation to the social conditions of times.

82) The Records of Economics and Finance in the Yuan History.